

## Message Text

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C O N F I D E N T I A L SECTION 1 OF 2 COPENHAGEN 0371

NODIS

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SUBJ: WEST GERMAN CHANCELLOR HELMUT SCHMIDT'S CISIT TO  
COPENHAGEN JANUARY 13

REF: COPENHAGEN 0347

1. ON JANUARY 17 MFA PERMANENT UNDER SECRETARY EIGIL JORGENSEN GAVE ME A READOUT ON THE GERMAN CHANCELLOR'S VISIT TO COPENHAGEN JANUARY 13 (REFTEL). SINCE THIS WAS EXCLUSIVELY A VISIT OF ONE SOCIAL DEMOCGATIC PRIME MINISTER TO ANOTHER, AT TIMES NO REPEAT NO INTERPRETER OR NOTE TAKER WAS PRESENT AND ALL BUSINESS WAS CONDUCTED BY THE TWO MEN THEMSELVES. EGIL JORGENSEN INSISTED THAT, IN VIEW OF THE CANDOR OF SOME OF THE REMARKS MADE, THIS REPORT SHOULD BE GIVEN OUR MOST RESTRICTED DISTRIBUTION.

2. MIDDLE EAST

(A) SCHMIDT REPORTED ON THE "LONG AND GOOD TALK" HE HAD WITH SADAT IN ASWAN. HE DESCRIBED SADAT AS A COMPETENT PERSON WHO HAD SHOWN GREAT COURAGE BY EMBARKING ON HIS TRIP TO JERUSALEM. SCHMIDT STRESSED THE NEED FOR THE ISRAELIS TO BE MORE FLEXIBLE. HE DESCRIBED THEM AS BEING "SO STUBBORN THAT IT MIGHT ENDANGER FUTURE  
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PROGRESS." NEVERTHELESS, SADAT'S INITIATIVE PRESENTS THE BEST POSSIBILITY FOR FINDING A SOLUTION IN THE MIDDLE EAST SINCE THE CREATION OF THE ISRAELI STATE. WHILE SCHMIDT EXPRESSED GREAT SYMPATHY FOR ISRAEL, HE WAS DOUBTFUL WHETHER THE ISRAELIS ARE PREPARED TO MAKE THE NECESSARY SACRIFICES TO BRING ABOUT A SOLUTION.

(B) IN REPLY TO DANISH PRIME MINISTER'S QUESTION AS TO WHETHER BEGIN IS THE RIGHT MAN TO LEAD ISRAEL UNDER THE PRESENT CIRCUMSTANCES, SCHMIDT REPLIED THAT BEGIN IS COMPETENT AND MAY WELL BE THE ONLY ISRAELI POLITICIAN WHO CAN SOLVE THE PROBLEM. WHETHER HE REALLY IS STRONG ENOUGH TO BRAVE DOMESTIC CRITICISM, IN VIEW OF THE CONCESSIONS REQUIRED, REMAINS TO BE SEEN. SADAT STRESSED THAT IF THE SPECTACULAR INITIATIVE BY SADAT DOES NOT SUCCEED, THE EGYPTIAN LEADER WILL BE IN SERIOUS TROUBLE. WHEN ASKED TO EVALUATE SADAT'S CHANCES, SCHMIDT THOUGHT THAT HE HAD LITTLE MORE THAN A 50 PERCENT CHANCE TO PULL IT OFF.

(C) ANKER JORGENSEN THEN BRIEFED SADAT ON THE EC POLITICAL DIRECTORS' MEETING WHICH HAD BEEN HELD IN COPENHAGEN WHEN THE NINE DECIDED THAT THEY SHOULD NOT TAKE A COMMON INITIATIVE ON THE MIDDLE EAST AT THIS TIME. SCHMIDT AGREED AND SAID THAT WHATEVER THE EC NINE DO MUST BE BASED ON THE PREVIOUS DECLARATIONS ON JUNE 29 AND NOVEMBER 22 (1977). AT THIS TIME SCHMIDT THOUGHT THAT THE NINE HAD NOTHING TO ADD TO WHAT THEY HAD ALREADY SAID.

(D) THE CONVERSATION THEN TURNED TO SELF-DETERMINATION. SCHMIDT SAID THAT HE HAD NEVER THOUGHT IN TERMS OF A COMPLETELY INDEPENDENT STATE ON THE WEST BANK, BUT RATHER ALONG THE LINES OF A FEDERATION BETWEEN THE WEST BANK AND JORDAN. RESPONSIBLE ARAB LEADERS HAD ALSO

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INDICATED TO SCHMIDT PRIVATELY THAT AN INDEPENDENT STATE ON THE WEST BANK RUN BY THE PLO WOULD NOT BE DESIRABLE AND WOULD BE A DESTABILIZING FACTOR IN THE LONG RUN.

(C) THE DANISH PRIME MINISTER THEN ASKED ABOUT THE PERSONALITY OF MOSHE DAYAN. SCHMIDT, WHO HAD RECENTLY RECEIVED DAYAN IN GERMANY, THOUGHT THAT DAYAN HAD LEARNED A LOT SINCE TAKING OVER AS MINISTER OF FOREIGN AFFAIRS. HE IS NOT AS IMPETUOUS AS THE IMPRESSION HE HAD GIVEN IN EARLIER DAYS. SCHMIDT THOUGHT THAT DAYAN HAD BECOME MORE FLEXIBLE THAN BEGIN, BUT EVEN THAT MIGHT NOT BE ENOUGH IF AN AGREEMENT IS TO BE REACHED IN THE NEAR FUTURE.

(F) ANKER JORGENSEN QUERIED WHETHER SCHMIDT FORESAW A ROLE FOR EUROPE IN A MIDDLE EAST SETTLEMENT. SCHMIDT REPLIED THAT EUROPE, AND ESPECIALLY GERMANY, SHOULD NOT REPEAT NOT PARTICIPATE IN GIVING A MILITARY GUARANTEE FOR WHATEVER IS WORKED OUT. SCHMIDT THOUGHT THAT THEREWERE TWO POSSIBLE KINDS OF GUARANTEES: A MULTI-LATERAL GUARANTEE WORKED OUT AT A GENEVA CONFERENCE OR ONE GIVEN BY THE AMERICANS. HE THOUGHT IT WAS THE

LATTER THAT REALLY MATTERED, AND A MULTILATERAL GUARANTEE WOULD IN LARGE PART BY WINDOW DRESSING.

### 3. THE DOLLAR PROBLEM

(A) ANKER JORGENSEN ASKED SCHMIDT'S VIEWS ON THE FUTURE OF THE DOLLAR. SCHMIDT SAID THAT LAST MONTH HE HAD WRITTEN A LETTER TO PRESIDENT CARTER IN WHICH HE HAD UNDERLINED THE SERIOUSNESS OF THE DECLINE IN THE VALUE OF AMERICAN CURRENCY. SCHMIDT THEN SET FORTH WHAT THE ALTERNATIVES ARE FOR THE OPEN COUNTRIES FACED WITH THE DECLINING VALUE OF THE DOLLAR:

- INCREASE OIL PRICES.
  - SET OIL PRICES ON THE BASIS OF A BASKET OF VARIOUS INTERNATIONAL CURRENCIES, INCLUDING THE DOLLAR.
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- MAINTAIN THE DOLLAR FOR OIL QUOTATIONS, BUT NOT KEEP THE DOLLARS PHYSICALLY IN THE U.S. DOLLARS WOULD BE CHANNLED TO OTHER INTERNATIONAL MARKETS, SUCH AS ZURICH, LONDON, FRANKFURT, ETC. IF THIS WERE TO HAPPEN, IT WOULD PLAY HAVOC WITH THE COMMERCIAL RELATIONSHIP BETWEEN EUROPE AND THE U.S. AND MIGHT EVEN LEAD TO A TRADE WAR.

(B) SCHMIDT SPOKE OUT STRONGLY ON THE NEED TO INCREASE THE VALUE OF THE DOLLAR. HE EMPHASIZED THAT THE EUROPEANS CAN NOT "TOLERATE" MUCH LONGER THE DECLINE OF THE AMERICAN CURRENCY.

### 4. JAPAN

(A) ANKER JORGENSEN SAID THAT AHEN HE HAD TALKED WITH JAPANESE PRIME MINISTER FAKUDA LAST MONTH, HE HAD STRESSED THE FOLLOWING THREE POINTS:

- JAPAN SHOULD INCREASE ITS AID TO DEVELOPING COUNTRIES.
- JAPAN SHOULD INCREASE INTERNAL CONSUMPTION.
- JAPAN SHOULD INCREASE IMPORTS, INCLUDING THOSE FROM THE EC AREA.

(B) SCHMIDT FULLY AGREED WITH THESE THREE POINTS.

### 5. SUMMIT MEETING.

(A) SCHMIDT SAID THAT HE HAD TALKED TO PRESIDENT GISCARD ON THIS SUBJECT AND HAD ALSO WRITTEN A LETTER TO PRESIDENT CARTER, INVITING HIM TO SUCH A MEETING IN GERMANY IN JULS. SINCE THE ECONOMIC SUMMIT WILL BE HELD AFTER THE EC CHIEFS OF GOVERNMENT MEETING, THE EC LEADERS WILL HAVE AN OPPORTUNITY TO COORDINATE THEIR VIEWS BEFORE THEY MEET WITH THE U.S. AND JAPAN IN JULY. SCHMIDT STRESSED THE IMPORTANCE OF HAVING JAPAN AT THAT MEETING SINCE JAPAN PLAYS SUCH AN IMPORTANT ROLE ON THE ECONOMIC SCENE.

(B) THIS LED TO A SLIGHT DIVERSION BY ANKER JORGENSEN  
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WHO ASKED WHY SCHMIDT HAD NOT VISITED JAPAN. THE CHANCELLOR REPLIED THAT BEFORE HE COULD GO, HE WANTED PRESIDENT SCHEEL TO MAKE AN OFFICIAL VISIT AND THIS HAS NOW BEEN SCHEDULED FOR THE SECOND HALF OF 1978. AFTER THAT, SCHMIDT WOULD SEIZE AN EARLY OPPORTUNITY TO FLS TO TOKYO.

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6. UNEMPLOYMENT AND STIMULATING INCREASED INTERNAL CONSUMPTION  
(A) IT WAS THE DANISH PRIME MINISTER WHO INITIATED THE DISCUSSION ON THIS SUBJECT. SCHMIDT CLAIMED IT WAS IMPOSSIBLE FOR HIM TO INCREASE INTERNAL CONSUMPTION ABOVE THE PRESENT LEVEL. HE ALSO STRONGLY OBJECTED TO INCREASING THE FRG BUDGET DEFICIT. HE CLAIMS THAT THE PRESENT DEFICIT AMOUNTS TO 4 PERCENT OF THE GERMAN GNP. ANKER JORGENSEN THOUGHT THAT THIS WAS NOT REALLY SO HIGH IN VIEW OF THE FACT THAT THE DANISH BUDGET DEFICIT AMOUNTS TO 6 PERCENT OF THE DANISH GNP. SCHMIDT SAID FOR INTERNAL POLITICAL REASONS IT WAS IMPOSSIBLE FOR HIM TO DO MORE THAN HE IS DOING RIGHT NOW. HE EXPRESSED SERIOUS DOUBT THAT WHATEVER HAD BEEN DONE SO FAR WOULD MAKE ANY DENT IN THE UNEMPLOYMENT LEVEL IN GERMANY. SCHMIDT OPINED THAT IT WAS NOT REALLY WHAT GERMANY OR DENMARK DID THAT MATTERS, BUT THAT IT WAS THE U.S. THAT HOLDS THE KEY.  
(B) SPECIFICALLY, SCHMIDT EXPRESSED SEVERE CRITICISM OF THE U.S. POLICY ON ENERGY AND THE RELUCTANCE OF THE AMERICAN AUTHORITIES TO TACKLE IN A MEANINGFUL MANNER THE HUGE AMERICAN BALANCE OF PAYMENTS DEFICIT. SCHMIDT DID NOT MINCE HIS WORDS WHEN HE CRITICISED THE AMERICANS FOR NOT DOING ENOUGH ABOUT REDUCING THEIR ENERGY

CONSUMPTION.

(C) SCHMIDT WAS ALSO CRITICAL ABOUT THE FAILURE OF THE EC NINE TO REACH A COMMON ENERGY POLICY. HERE HE POINTED HIS FINGER AT THE UK WHICH FEELS THAT WITH ITS NORTH SEA OIL IT CAN PURSUE ITS OWN POLICY, AS IS THE CASE WITH HOLLAND SITTING ON LARGE GAS DEPOSITS.

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7. NEA DEAL

(A) ANKER JORGENSEN, WHO IS NOT AN ECONOMIST, ASKED SCHMIDT WHETHER THIS WAS NOT AN APPROPRIATE TIME TO LAUNCH A "NEW DEAL", SOMEWHAT ALONG THE LINES OF THE COURAGEOUS ECONOMIC POLICIES INAUGURATED BY PRESIDENT ROOSEVELT IN THE 1930S. SCHMIDT EXPLAINED THAT THE SITUATIONS THEN AND TODAY ARE VERY DIFFERENT. THE NEW DEAL WAS INTRODUCED AT A TIME OF HIGH UNEMPLOYMENT, BUT NO INFLATION. IN THE 1970S THE HIGH RATE OF UNEMPLOYMENT IS ACCOMPANIED BY A HIGH RATE OF INFLATION.

(B) SCHMIDT OPINED THAT THE EC NINE WOULD NOT REPEAT NOT BE ABLE TO DO MUCH TOGETHER IN THE FIELD OF ECONOMIC POLICY TO REVERSE THE ADVERSE CURRENT ECONOMIC TREND.

8. CONFRONTATION BETWEEN KOSYGIN AND SCANDINAVIAN PRIME MINISTERS AT HELSINKI

(A) ANKER JORGENSEN GAVE HIS VERSION OF THE MEETING BETWEEN KOSYGIN AND THE SCANDINAVIAN PRIME MINISTERS WHICH LED TO A VERBAL CONFRONTATION. SCHMIDT WAS INTERESTED IN HEARING WHAT HAPPENED SINCE HE WILL SOON BE PLAYING HOST TO BREZHNEV IN BONN. (SINCE THIS SUBJECT HAS BEEN COVERED EXTENSIVELY FROM ALL SCANDINAVIAN CAPITALS AND MOSCOW, I AM NOT REPORTING ON THIS ASPECT OF THE JORGENSEN-SCHMIDT CONVERSATION.)

9. ER WEAPON AND SALT

THE CONVERSATION THEN TURNED TO THE DISCUSSION OF THE ER WEAPON AND SALT, INCLUDING THE LETTER BREZHNEV HAD SENT TO A NUMBER OF EUROPEAN COUNTRIES WARNING THEM AGAINST THE "NEUTRON BOMB". PERMANENT UNDER SECRETARY JORGENSEN SAID THAT THESE TWO SUBJECTS -- NEUTRON BOMB AND SALT -- WERE DISCUSSED WITHOUT A NOETAKER BEING PRESENT AND NOBODY KNOWS WHAT THE TWO PRIME MINISTERS SAID.

10. SITUATION IN ITALY

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(A) AGAIN, THE TWO PRIME MINISTERS WERE ALONE WHEN DISCUSSING THIS SUBJECT, BUT PRIME MINISTER JORGENSEN TOLD THE PERMANENT UNDER SECRETARY THAT SCHMIDT IS GREATLY IMPRESSED BY ANDREOTTI, WHOM

HE CONSIDERS TO BE THE MOST COMPETENT ITALIAN POLITICIAN AT THE PRESENT TIME.

(B) SCHMIDT APPARENTLY SAID THAT HE WILL NOT TAKE ANY PUBLIC STATEMENTS ON THE PROBLEMS OF FORMING A NEW GOVERNMENT IN ITALY, SOMETHING HE FELT WAS UP TO THE ITALIANS TO DECIDZ. SCHMIDT TOLD THE DANISH PRIME MINISTER THAT HE DOES NOT ENJOY THE SAME KIND OF AN OPEN RELATIONSHIP WITH THE ITALIANS AS HE ENJOYS WITH THE DANES OR THE FRENCH, AND THEREFORE HE DOES NOT HAVE ANY SPECIAL INSIGHT INTO THE ITALIAN SITUATION.

11. SOCIAL DEMOCGATS AND EC PARLIAMENT ELECTIONS SCHMIDT SAID THAT HE AND WILLY BRANDT HAVE AGREED THAT THE MANIFESTO DRAFTED BY THE DANISH SOCIAL DEMOCRATS ON THE EC PARLIAMENT ELECTIONS WAS BETTER THAN THE EARLIER DRAFT AND THAT THE GERMAN SOCIAL DEMOCRATS THEREFORE ACCEPT THE DANISH VERSION.

12. FISHING IN THE BALTIC

(A) ANKER JORGENSEN COMPLAINED THAT THE FRG INSISTS THAT ANY FISHING AGREEMENT NEGOTIATED BETWEEN THE EC AND THE EASTERN EUROPEAN COUNTRIES MUST REFER TO BERLIN TO SHOW THAT THE CITY IS PART OF THE EC. THE EASTERN EUROPEANS REJECT SUCH A FORMULATION. JORGENSEN UNDERLINED THAT HE FULLY SUPPORTS THE ALLIED POSITION ON BERLIN, BUT THE DANES ARE PAYING A HEAVY PRICE FOR IT, BECAUSE THIS HAS PREVENTED THE COMMUNITY REACHING ANY AGREEMENT WITH THE EASTERN EUROPEAN COUNTRIES ON THE DIVISION OF FISHING RIGHTS IN THE BALTIC, SOMETHING OF CARDINAL IMPORTANCE TO DENMARK.

(B) THE TWO PRIME MINISTERS AGREED THAT THE FISHING MINISTERS OF THE FRG AND DENMARK SHOULD TAKE UP THIS MATTER. THE DANISH MINISTER WILL GO TO BONN IN THE VERY NEAR FUTURE.

13. EV EMLARGEMENT

(A) ANKER JORGENSEN CAME AWAY WITH THE IMPRESSION THAT SCHMIDT IS RELUCTANT TO ENLARGE THE EC BY ACCEPTING THE THREE NEW  
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CANDIDATES.

(B) THE DANISH PRIME MINISTER POINTED OUT THAT THE DANES HAVE ALREADY INDICATED TO ATHENS THAT THEY LOOK WITH FAVOR ON THE GREEK CANDIDACY. SINCE THE GREEK REQUEST WILL NOT BE DECIDED WHILE THE DANES ARE IN THE EC CHAIR, THE GERMANS WILL INHERIT THE PROBLEM WHEN THEY TAKE OVER THE EC PRESIDENCY FROM THE DANES ON JULY 1. SCHMIDT IS NOT EAGER TO MOVE THE APPLICATION ALONG TOO FAST BECAUSE HE THINKS IT WOULD CREATE PROBLEMS FOR THE COMMUNITY WITH TURKEY; FURTHERMORE, WHATEVER IS SAID TO GREECE WOULD ALSO HAVE MAJOR REPERCUSSION ON THE TIMING OF ACCEPTING THE CANDIDACY OF SPAIN AND PORTUGAL.

(C) JORGENSEN NOTED THAT IN GENERAL DENMARK FAVORED THE EVENTUAL MEMBERSHIP OF ALL THREE APPLICANTS BECAUSE IT WAS DESIRABLE FOR THE EC TO SUPPORT THE DEMOCRATIC TENDENCIES IN THESE THREE COUNTRIES. SCHMIDT REPLIED THAT IF THE COMMUNITY MUST BE ENLARGED,

THEN THE TRANSITIONAL PERIOD FOR THE THREE CANDIDATES SHOULD  
BE AS LONG AS POSSIBLE. DEAN

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